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Thank you for that introduction, and thanks to all of you for asking me to be a part of this important Conference. It is a pleasure and honor to have this opportunity to speak before such a distinguished group of leaders in the airfreight industry.

U.S. Secretary of Transportation Norman Mineta sends his regards -- and his appreciation to the sponsors of this Conference and the members of the international airfreight industry for your major contribution to world trade. Our economy relies heavily on trade with other nations, and therefore, on your services for growth and prosperity. We would like both to continue. And so I am here today to talk to you about open-skies in aviation, and how we can make competition in the aviation marketplace work for all of us.

While great strides have been made in recent years, our difficulties with competition in this industry are real. I must emphasize the words **our difficulties** because all of us have paid a huge price for the historic lack of effective competition in civil aviation. You lost the opportunity to grow and to increase your business activities, and our citizens and our economies lost the enormous public benefits that would have otherwise resulted from that growth.

We paid that price in large part because, as World War II was ending, governments around the world decided to regulate the international aviation industry. As many of you know, when that war was winding down, the allies met to create the framework for a post-war international civil aviation system and to establish the role that governments would play in administering that system. It was determined at the Chicago Convention

that, among other things, governments would be responsible for the safety of the new civil aviation system, and that governments would control all services that would be provided between nations, primarily through bilateral air services agreements.

Under the bilateral system, no service can be provided and no fare can be charged between nations unless both nations agreed to them. Many nations used that system to protect their airlines from competition. And unfortunately, that protection worked in too many markets and, as a result, prevented airlines from providing the services that consumers wanted and the public benefits that would otherwise result from a competitive system.

For a long time, the United States participated in this system along with the rest of the world. We regulated our international aviation services through restrictive bilateral agreements. We also regulated our domestic aviation services for more than 40 years. However, because that regulation proved harmful to the interests of consumers, airlines and the economy, we determined that it was essential that we take action to limit the government's role in aviation and to enhance the central roles of the marketplace and airline management. As a result, we deregulated our domestic aviation services and have worked with other nations to liberalize our international air services agreements.

Our actions in both our domestic and international aviation markets were guided in large part by a fundamental principle: Governments should try to create the appropriate framework for vigorous competition and then, by and large, get out of the way.

I am pleased to say that our efforts to create a more market-oriented international aviation system have produced significant results. In recent years, we have eliminated thousands of restrictions imposed by our bilateral aviation agreements on air carrier operations. We have relied on open-skies agreements as our primary vehicle for eliminating those restrictions and increasing competition in the international aviation industry. Open-skies agreements are now our norm. We currently have 60 such agreements with other nations located in every region of the world. As to the Asia-Pacific region, our partners in a landmark, multilateral open-skies agreement include our host, Singapore, as well as Brunei, New Zealand, Samoa, and Tonga. With Korea, Malaysia, and Taiwan we have bilateral open-skies agreements. We also have all-cargo open-skies agreements with Australia and Thailand.

I attribute much of the continuing success we have had in liberalizing international aviation services to the fact that our open-skies agreements have produced enormous public benefits.

They have improved service and lowered fares for passengers and shippers. They have created new travel options in thousands of international aviation markets. They have promoted trade and commerce around the world by creating new markets for cargo and businesses. They have helped travel and tourism become one of the world's largest industries, if not the world's largest. And they have also helped to create a significant number of new jobs and significant new wealth for our economies.

Many of these benefits are a product of the opportunity and incentive open-skies agreements have provided our air carriers to innovate, to become more efficient, and to develop new product lines to meet the needs of consumers and to be able to compete effectively in the marketplace.

U.S. and foreign airlines have taken advantage of those opportunities to help revolutionize the international air cargo industry. Your industry looks a lot different today than it did prior to the widespread liberalization of international air service agreements. The development of extensive all-cargo airline networks to serve the new global market, the creation of cargo hubs and sorting centers in strategic locations around the globe, and the creation of highly integrated partnerships between and among cargo air carriers are some of the significant changes that have affected the industry since liberalization began take root across the globe. In the U.S., we would not have had the comprehensive air express services in the absence of the deregulation of our domestic aviation industry. And I seriously doubt that we would have had the explosive growth of international air express and small package services in the absence of international liberalization.

Moreover, the success of our bilateral air services agreements has provided a model for other nations to follow, and with that model we are now working with them to develop new structures for aviation relationships that enable our air carriers to function more effectively in a global environment. These structures include the creation of broad, multilateral or regional frameworks to replace the current patchwork of numerous individual bilateral agreements.

Discussions in the Asia Pacific Economic Cooperation (APEC) forum brought forth one model for establishing a regional approach to international air service. The U.S. and six other nations, including two non-APEC economies, are parties to a multilateral aviation agreement that provides the member's airlines with the opportunity to operate freely between and among each other's territories. The effect has been to create one large open aviation market between the U.S. and each of the parties, as well as among the other countries. Significantly, the agreement is open to accession by both APEC and non-APEC economies, creating a streamlined mechanism for expanding commercial aviation opportunities beyond a bilateral or even regional context.

Our open-skies agreements with a large number of countries around the globe and our ongoing efforts to create more efficient structures for international aviation in the 21st century are just two examples of the significant progress we have made in liberalizing international air services and providing our citizens with the opportunities that meet their needs in this century. There is, of course, much more work that we must do -- and do together -- to achieve this important objective.

I believe that there are several things we can do right now to move us forward.

Number One. We must continue to improve air transportation links between the United States and the Asia/Pacific region. Trade between my country and this region is now growing rapidly. After a couple of difficult years, the demand for air cargo services has increased greatly in a short period of time.

I believe that it is the responsibility of governments to provide your industry with every opportunity to respond to that demand. As I have said, we all benefit from the service that the international air cargo industry provides. So why shouldn't we do everything we can to promote that service?

Certainly, one of the most effective ways we can do that is to continue to work together to eliminate the remaining restrictions on air carrier operations from our bilateral agreements. We want competition to be the principal guiding force in our international aviation industry because we know, based on experience in both our domestic and international markets, that a competitive market produces far greater benefits than a regulated one.

Consequently, we intend to sign as many open-skies agreements as we can because we know that such relationships provide the framework for effective competition in the international aviation industry. And while we continue to liberalize our bilateral relationships, we also intend to continue to work with other nations to establish much larger markets for aviation services, through, for example, regional service agreements.

As I mentioned earlier, liberalization has helped to produce significant changes in the international airfreight industry and to emphasize the importance of your industry to the continued development of a global economy. These considerations have created the need for us to keep your unique aviation issues in the forefront of our minds. You can be sure that we intend to continue working to eliminate restrictions on all-cargo air services as we move forward in our broader efforts to liberalize global markets for all aviation services.

Although open-skies is our strongly preferred approach to eliminating bilateral restrictions on air carrier operations, we will use an incremental approach to liberalization where that approach offers substantial public benefits. Last year, for example, we amended our aviation agreement with Hong Kong to provide for significant new liberalizations, especially in the all-cargo area. While we were disappointed that we were not able to reach an open-skies accord with Hong Kong, our airlines nonetheless received extensive new all-cargo fifth-freedom opportunities that significantly strengthened their air service networks and their ability to provide the Asia/Pacific region with improved service and access to the global market.

We are also talking to China about creating new opportunities for improved cargo and passenger service. We had a productive first round of negotiations in Beijing earlier this month, as both sides showed interest in expanding our aviation relationship. A second round is scheduled to take place in the U.S. next week.

Number Two. We must redouble our efforts to keep our airports and airways open because it is only in this way that all of us can enjoy the full benefits of aviation liberalization today and the truly open markets of tomorrow.

That means that we must continue to work together to focus on infrastructure issues and to make the most effective use of our domestic and international airports. And by infrastructure I am referring to those physical

considerations that affect your ability to serve international markets, such as adequate airport capacity and effective and efficient air traffic control.

It is essential that our aviation infrastructure keeps pace with demand for air service, because failure to do so will result in congestion and delay that will inhibit your ability to operate and our ability to benefit from those operations.

Congestion and delay were problems that we in the U.S. were addressing before the horrific events of September 11. But in the aftermath of those tragic attacks, demand for air service decreased and our efforts focused on increasing the security of air travel and rebuilding the confidence of the traveling public to fly again.

Our aviation industry has now begun to recover and that traffic has begun to come back thanks to a combination of improved security and a rebounding economy. That is the good news. The not-so-good news is that the return of increased demand for air service has brought back the old problems of increased congestion and delay at some of our nation's airports.

The new congestion illustrates once again the importance of maintaining an effective aviation infrastructure and the continuing need to invest in that infrastructure in order to make that happen. We are now making that investment. For example, the U.S. government is helping to finance the construction of four new runways at our nation's airports, and over the next five years there are plans for an additional seven runways. These initiatives should add significant capacity to our system.

In addition, our Federal Aviation Administration (FAA), which is part of the Department of Transportation, has set in motion several airspace modernization plans to add capacity and improve efficiency. Although these initiatives are essential for keeping up with demand over the course of the next decade, we believe that they will not be sufficient to accommodate the air transportation market 15 or 20 years from now. Given these circumstances, Secretary Mineta recently launched a new initiative to design the Next Generation Air Transportation System -- a cleaner, quieter system based on 21st Century technology that will offer seamless security and added capacity. One of the major goals of this initiative is to harness technology in a way that triples the capacity of our aviation system over the next 15 to 20 years.

The issues of congestion and air traffic management in the United States may not seem particularly relevant to the concerns of the airfreight industry here in Asia or other parts of the world. But I assure you that these are important matters for everyone in aviation. At a minimum, international air carriers who want to serve the U.S. will need enough physical capacity to allow them to land where and when they want in the U.S. Beyond that, however, the actions that we take to address our immediate problems and to plan for the future will have a significant affect on the worldwide aviation community. New technologies, new systems, and new procedures that may be required to utilize U.S. airspace will have a profound impact on the way all types of aircraft are equipped and operated. We may not know the exact nature of the system that will be used to manage our airspace in the future, but it is likely to be quite different than the one we have today. One small

example is that we must now begin to consider how our airspace can accommodate unmanned aerial vehicles, some of which might carry cargo.

The U.S. Department of Transportation and the Federal Aviation Administration understand that our efforts in these areas can have far reaching impacts. That is why we will be working closely with the rest of the world to ensure that the aviation system of tomorrow is one that is truly global in nature. It does us little good to improve our own aviation system if it does not integrate with the international aviation community.

Number Three. We must begin to consider the continued utility of limitations on air carrier operations that are outside of our traditional air services agreements. These limitations typically involve restrictions that the U.S. and other countries impose on the industry through domestic legislation, such as those now placed on the free flow of capital in the industry.

Our federal law requires that all U.S. airlines must be owned and operated by U.S. citizens, and to that end, that foreign nationals may not own more than 25 percent of the voting stock of any U.S. airline.

We support the liberalization of investment opportunities in foreign and U.S. air carriers. In this regard, the Bush Administration has submitted a proposal to the U.S. Congress to change the law to give U.S. air carriers greater access to foreign capital markets. The proposal would raise the permissible limits of foreign ownership of voting stock to 49 percent, provided that actual control remains in the hands of U.S. citizens. I believe that this

change offers the potential for significant public benefits by providing our air carriers with an important additional resource that they can use to improve their financial positions and their ability to respond to global transportation needs.

Number Four. We must expand opportunities for new entry and for new business methods in the aviation industry. These are the innovations that will help us create the new competitive global aviation market for the new century. And one of the methods that air carriers are now using to expand their reach and service in the global market is to enter into partnerships with other air carriers, either from the same or different countries. These partnerships vary in size and structure, depending on the needs of the parties. Some partnerships provide for relatively simple code-sharing arrangements. Others provide for highly integrated arrangements, known as alliances.

We support air carrier partnerships that promote competition and consumer welfare because they have provided significant public benefits -- especially where those partnerships have been allowed to operate under the freedoms made possible by open-skies agreements. These partnerships have permitted many air carriers to gain access to markets that they could not have served individually. And this new access has enhanced competition in thousands of aviation markets, resulting in improved service and service options for a large number of passengers and shippers.

Number Five. We, both government and industry, must continue to provide our citizens with the highest standards of aviation safety, security, and efficiency. If we fail to keep aviation safe, secure, and efficient, we will

never be able to realize the full potential of the global marketplace. The question is how we can best reach our goals.

I think part of the answer is that we must create partnerships that are more dynamic than ever before. We must be more unified on a global scale. And we must have a clear vision for the second century of flight.

Two days ago, the Assistant Administrator for International Aviation of the Federal Aviation Administration, Doug Lavin, spoke on this subject here in Singapore at the International Air Transport Association's Summit. As he pointed out so well, we in the U.S. have realized that positive change in the aviation industry is not created when government simply reacts to new advances in industry -- or when industry simply reacts to new regulations by government. That model does not work for us anymore. In fact, that kind of process can be destructive, resulting not only in worsening relationships but also in wasted time and inferior products that can ultimately compromise our aviation system.

Instead, we have realized that in order for both government and industry to meet their respective goals, we have to work more closely than ever before. The fact is, across this region and in the U.S., we see that the aviation industry is more innovative than ever before. The government's responsibility in this is to act as a facilitator. We must become more dynamic in response to the needs of aviation. We must be more nimble, more proactive, and more collaborative with the aviation industry.

At the same time, as government regulators, we must remain firm in our commitments to uphold the safety and capacity of our system as our top priorities. Yes, government's end goal is increased safety and efficiency. And yes, industry's end goal is profits. But these goals must be intertwined. After all, a responsive, flexible, and dynamic industry not only demands constant cooperation, it is defined by constant cooperation.

Such cooperation must involve not only the global aviation industry, but also the aviation systems of other countries. I am convinced that we can work better if we work across our borders to improve all of our systems, because, the fact is, our planes cross international borders thousands of times every day.

As a result, we are increasingly dependent upon each other.

The Department of Transportation and the FAA are committed to making sure we are all on the same page. We are committed to sharing our resources, knowledge, and people in order to further the growth of aviation in Southeast Asia and other parts of the world.

For example, we have recommitted ourselves to providing the Global Positioning System without charge to its users. We are also signing agreements to ensure the safe, efficient travel of our people and cargo across our borders. In fact, just yesterday, I was privileged to witness the signing of two agreements between the U.S. and Singapore: one was a Bilateral Aviation Safety Agreement and the other a Memorandum of Cooperation for the development of aviation related programs.

We must move forward under a single system that allows us to incorporate new technologies that enhance safety and efficiency. We are excited to help in this region because we see many aviation systems that have the potential to leapfrog several generations of development. If we work together to make a truly unified global aviation system, I know that all of our countries will benefit. I think that this is a challenge we are ready to conquer as we head into the second century of flight.

It is not easy to make plans for more than a few years into the future, but as leaders in aviation, we have a responsibility to try. I sincerely hope you and everyone else who is part of the global aviation community will join us in that effort.

In closing, I would like to reemphasize our appreciation for the significant contribution you have made to enhancing trade between the United States and the Asia/Pacific region and to bringing our citizens closer together. We want to strengthen those ties by improving our air transportation links. We have already made significant progress in this regard and we now need to keep the ball rolling. We need to open more markets. We need to ensure that our airports can continue to handle effectively the growing demand for air service. And we are counting on your advice and your continued support to help us achieve our pro-competitive and pro-consumer aviation objectives.